

## Asian Tubes Private Limited

June 20, 2024

Facilities/Instruments	Amount (₹ crore)	Rating <sup>1</sup>	Rating Action
Long Term / Short Term Bank Facilities	95.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE BB+; Stable / CARE A4+;
Short Term Bank Facilities	15.00	CARE A4; ISSUER NOT COOPERATING*	Rating continues to remain under ISSUER NOT COOPERATING category and Revised from CARE A4+;

Details of instruments/facilities in Annexure-1.

\*Issuer did not cooperate; based on best available information.

### Rationale and key rating drivers

CARE Ratings Ltd. had, vide its press release dated April 05, 2023, placed the rating(s) of Asian Tubes Private Limited (ATPL) under the 'issuer non-cooperating' category as ATPL had failed to provide information for monitoring of the rating as agreed to in its Rating Agreement. ATPL continues to be non-cooperative despite repeated requests for submission of information through e-mails, phone calls and a letter/email dated March 10, 2024, February 29, 2024, February 19, 2024.

In line with the extant SEBI guidelines, CARE Ratings Ltd. has reviewed the rating on the basis of the best available information which however, in CARE Ratings Ltd.'s opinion is not sufficient to arrive at a fair rating.

**Users of this rating (including investors, lenders and the public at large) are hence requested to exercise caution while using the above rating(s).**

For arriving at the ratings for the bank facilities of Asian Tubes Private Limited (ATPL), CARE has taken a combined analytical view of ATPL and its group entity - Asian Mills Private Limited (AMPL), together referred to as Asian Steel Group (ASG), on account of their common management, presence of both entities in similar line of business with a common brand name as well as distribution network.

The ratings have been revised on account of non-availability of requisite information. Further it also considers ASG's moderating profitability in FY23 and FY22 as compared to FY21.

### Analytical approach: Combined

Combined approach of ATPL and its group company, Asian Mills Pvt. Ltd. (AMPL; together referred as ASG), has been considered for analysis, as both companies operate under common management, are engaged in similar line of business of manufacturing steel pipes and have exhibited cash flow fungibility; also, both companies sell their products under the common brand names of the group and share a common distribution network.

### Outlook: Stable

Stable outlook reflects CARE's expectations that company shall be able to sustain its financial risk profile in near to medium term and benefit from its established operations in steel pipes industry

### Detailed description of the key rating drivers:

At the time of last rating on April 05, 2023, the following were the rating strengths and weaknesses (updated for the available information i.e. FY23 financials of ATPL and AMPL available from MCA, combined by CARE Ratings Ltd):

### Key strengths

**Healthy scale of operations albeit moderate profitability:** During FY23, ASG reported healthy 23% y-o-y growth in its scale of operations with total operating income (TOI) of Rs.2,187.97 crore (P.Y: Rs.1,776 crore). Operating profit (PBILDT) margin further declined to ~2.31% in FY23 from ~3.35% in FY22 and ~12% in FY21 due to volatile raw material prices and higher proportion of trading income.

**Comfortable capital structure and debt coverage indicators:** ASG's capital structure remained comfortable with overall gearing of 0.85x as on FY23 end. The group has displayed its conservative stance towards availing external debt since past many

<sup>1</sup>Complete definition of the ratings assigned are available at [www.careedge.in](http://www.careedge.in) and other CARE Ratings Ltd.'s publications

years and unsecured loans from related parties formed substantial part of ASG's total debt. Debt coverage indicators remained adequate with PBILDT interest coverage of 4.12x (5.70x in FY22) and total debt/ PBILDT of 6.88x (4.22x in FY22) in FY23.

**Experienced and resourceful promoters in the steel pipes industry:** ASG is promoted by Mr. Omprakash Agrawal and Mr. Bajranglal Agarwal, both of whom possess more than three decades of experience in the steel pipes industry. They actively look after the overall operations of the group and are well-supported by the second and third generation of the family in managing the business operations. Apart from having a good presence in the steel industry, the promoters also have presence in real estate sector through a sister concern, Aaron Infrastructure, as well as through other associate entities in Ahmedabad (Gujarat).

**Established track record of operations of more than three decades:** ASG has an established track record of operations of over three decades in the steel industry with a good presence in Gujarat. Over the years, group has expanded its production capacity and added new products to cater to the market requirements. ASG manufactures steel pipes of various diameters along with cold rolled (CR) coils and galvanized plain (GP) sheets. Pipes manufactured by the group find application across industries such as oil & gas, water & sewage, city gas distribution, construction, and mechanical and general engineering purposes, whereas GP sheets are mainly used in manufacturing of agriculture equipment, construction equipment and household appliances. Furthermore, as per last review, ASG was also setting up a colour coating line for galvanized sheets (a better margin product) which finds application in construction sector. Commercial production for this facility was expected to start from September 2022 and was to be funded from ASG's internal accruals as well as liquid investments.

**Established distribution network with a diversified clientele:** ASG has an established distribution network comprising of 27 distributors situated mainly in Gujarat with whom it has long-standing relationship. Around 65%-70% of ASG's total sales over the past three years ended FY21 was through this network, while balance sales was directly to end user companies wherein it is a registered supplier. These companies include some reputed players in the area of oil & gas and industrial project consultants.

### Key weaknesses

**Susceptibility of profitability to raw material price volatility:** The major raw materials for ASG are hot rolled (HR) coils and zinc, prices of which are market driven and exhibit volatility depending on the demand supply scenario. Also, raw material cost constituted ~90% of ASG's total cost of production and hence any volatility in price of raw material shall impact ASG's profitability. Furthermore, ASG needs to maintain adequate inventory of its products to meet demand from distributors and only a small portion of inventory is order backed which is against the tenders awarded to ASG mainly for oil & gas application. This further exposes ASG's profitability to sharp decline in prices which it may not be able to pass on to its customers, though longstanding experience of promoters in the industry is expected to result in better management of this price volatility.

**Loans & advances (L&As) extended to group companies as well as third parties:** ASG has extended L&As to its sister concerns as well as to other entities and individuals, some of which have presence in real estate sector. Outstanding of such L&As stood at Rs.64.76 crore as on March 31, 2021 and formed ~17% of ASG's net worth as on that date. It increased to Rs.84.32 crore as on December 31, 2021, with the incremental advances extended mainly towards a commercial property. ASG also extended advances to group concern, Narmada Tubes Private Limited (NTPL), which was incorporated in March 2020 for manufacturing of electric resistance welded (ERW) pipes which find application in oil & gas sector, water supply, sewage, and drainage. Commercial production in NTPL commenced from February 2022.

**Presence in a highly competitive steel pipe industry with limited geographical footprint albeit good growth prospects:** The steel pipe industry is highly competitive due to presence of various organized and unorganized players and expanding applications of various types of steel pipes. Although, over the years the industry has become more organized with the share of unorganized and smaller players reducing yet the prevalent competition has a bearing on the margins due to fragmentation of the industry. In this backdrop, ASG's operations with limited geographical presence restricts its competitive position to an extent vis-à-vis some of the larger players in the industry who have multi-location plants and geographically widespread distribution network across larger parts of India. However, demand for steel tubes & pipes is expected to improve going forward with higher levels of economic activities and successful rollout of the vaccination program which facilitated normalization and stimulated economic recovery. There is a diverse requirement for steel pipes and tubes across several industries including, but not limited to, oil and gas, petrochemicals, power and energy, construction, water supply, and sanitation. The government's thrust to improve infrastructure is expected to augur well for industry players.

## Applicable criteria

[Consolidation](#)

[Definition of Default](#)

[Policy in respect of non-cooperation by issuers](#)

[Rating Outlook and Rating Watch](#)

[Manufacturing Companies](#)

[Financial Ratios – Non financial Sector](#)

[Withdrawal Policy](#)

## About the company and industry

### Industry classification

Macro Economic Indicator	Sector	Industry	Basic Industry
Industrials	Capital Goods	Industrial Products	Iron & Steel Products

Incorporated in January 1985, Ahmedabad (Gujarat) based Asian Tubes Private Limited (ATPL) is engaged in manufacturing of mild steel black & galvanized electric resistance welded (ERW) pipes, square & rectangular hollow sections, cold rolled (CR) coils and galvanized plain (GP) sheets. ATPL is a part of Asian Steel Group which is promoted jointly by Mr Omprakash Agarwal and his brother Mr Bajranglal Agarwal, along with their family members. ATPL's group entity, Asian Mills Private Limited (AMPL), was incorporated in March 1993 and is also engaged in manufacturing of mild steel galvanized ERW pipes, API 5L line pipes (which find application in oil & gas industry) and square & rectangular hollow sections. Both the companies sell its products under the common brand names of 'Asian' and 'Narmada'. On aggregate basis, ATPL & AMPL, had installed capacity of 1,60,000 metric tonnes per annum (MTPA) for pipes, 25,000 MTPA for CR coils and 50,000 MTPA for GP sheets, as on March 31, 2021. In March 2020, another entity named Narmada Tubes Private Limited (NTPL) was incorporated as part of Asian group for manufacturing of ERW pipes and its commercial operations commenced from February 2022.

Brief Financials-ASG Combined (₹ crore)	March 31, 2021 (UA)	March 31, 2022 (UA)	March 31, 2023 (UA)
Total operating income	1,095.14	1,776.03	2,187.97
PBILDT	127.20	63.64	54.90
PAT	89.30	36.58	27.99
Overall gearing (times)	0.46	0.65	0.85
Interest coverage (times)	10.02	5.70	4.12

UA: Audited financials combined by CARE (for FY22 and FY23, financials available from MCA are considered for analysis)

Note: 'the above results are latest financial results available'

Brief Financials- ATPL Standalone (₹ crore)	March 31, 2021 (A)	March 31, 2022 (A)	March 31, 2023 (A)
Total operating income	932.63	1,586.73	1,923.10
PBILDT	93.15	47.75	35.26
PAT	62.13	25.67	17.62
Overall gearing (times)	0.54	0.77	0.99
Interest coverage (times)	13.11	5.52	3.77

A: Audited (for FY22 and FY23, financials available from MCA are considered for analysis);

Note: 'the above results are latest financial results available'

**Status of non-cooperation with previous CRA:** None

**Any other information:** Not Applicable

**Rating history for last three years:** Please refer Annexure-2

**Covenants of rated instrument / facility:** Detailed explanation of covenants of the rated instruments/facilities is given in Annexure-3

**Complexity level of various instruments rated:** Annexure-4

**Lender details:** Annexure-5

### Annexure-1: Details of instruments/facilities

Name of the Instrument	ISIN	Date of Issuance (DD-MM-YYYY)	Coupon Rate (%)	Maturity Date (DD-MM-YYYY)	Size of the Issue (₹ crore)	Rating Assigned along with Rating Outlook
Fund-based-LT/ST		-	-	-	45.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*
Fund-based/Non-fund-based-Short Term		-	-	-	15.00	CARE A4; ISSUER NOT COOPERATING*
Non-fund-based-LT/ST		-	-	-	50.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING*

\*Issuer did not cooperate; based on best available information.

**Annexure-2: Rating history for the last three years**

Sr. No.	Name of the Instrument/Bank Facilities	Current Ratings			Rating History			
		Type	Amount Outstanding (₹ crore)	Rating	Date(s) and Rating(s) assigned in 2024-2025	Date(s) and Rating(s) assigned in 2023-2024	Date(s) and Rating(s) assigned in 2022-2023	Date(s) and Rating(s) assigned in 2021-2022
1	Fund-based-LT/ST	LT/ST	45.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING * (05-Apr-23)	-	1)CARE A; Stable / CARE A1 (04-Mar-22)
2	Non-fund-based-LT/ST	LT/ST	50.00	CARE BB; Stable / CARE A4; ISSUER NOT COOPERATING *	-	1)CARE BB+; Stable / CARE A4+; ISSUER NOT COOPERATING * (05-Apr-23)	-	1)CARE A; Stable / CARE A1 (04-Mar-22)
3	Fund-based/Non-fund-based-Short Term	ST	15.00	CARE A4; ISSUER NOT COOPERATING *	-	1)CARE A4+; ISSUER NOT COOPERATING * (05-Apr-23)	-	1)CARE A1 (04-Mar-22)

\*Issuer did not cooperate; based on best available information.

LT: Long term; ST: Short term; LT/ST: Long term/Short term

**Annexure-3: Detailed explanation of covenants of the rated instruments/facilities:** Not Applicable

**Annexure-4: Complexity level of the various instruments rated**

Sr. No.	Name of the Instrument	Complexity Level
1	Fund-based-LT/ST	Simple
2	Fund-based/Non-fund-based-Short Term	Simple
3	Non-fund-based-LT/ST	Simple

**Annexure-5: Lender details**

To view the lender wise details of bank facilities please [click here](#)

**Note on the complexity levels of the rated instruments:** CARE Ratings has classified instruments rated by it on the basis of complexity. Investors/market intermediaries/regulators or others are welcome to write to care@careedge.in for any clarifications.

## Contact us

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### Disclaimer:

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